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SUBJECT: FINMECCANICA SEEKS USG VIEWS ON PROPOSED
INVESTMENT IN IRAN

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11. (U) This is an action request. Please see paragraph 6.

12. (SBU) Summary. On June 15, A/Ecmin met with Simone Bemporad, Finmeccanica Senior Vice President for Media Relations and International Affairs, and Camillo Pirozzi, Head of Public Affairs in Finmeccanica's Institutional Relations Department. Bemporad and Pirozzi requested the meeting to inform the USG of Finmeccanica's interest in bidding on a contract to provide communications equipment to two city police forces in Iran. The Finmeccanica representatives said they requested the urgent meeting to preclude any misunderstanding with the USG -- given the sensitivities of dealing with Iran at this time -- and to ensure their business interests in the United States are not adversely affected by possible Finmeccanica investment in Iran. The Finmeccanica representatives also gave a breakdown of current Finmeccanica activities in Iran. End summary.

Finmeccanica Interested in Contract for Police Radios

13. (SBU) Bemporad told A/Ecmin Finmeccanica subsidiary Selex Communications is interested in bidding on a contract to provide secure communications equipment to the city police forces of Isfahan and Mashhad, Iran. The contract, worth approximately 6.5 million euros (about USD 8.2 million), is being tendered through the Iranian Ministry of the Interior. Bids on the contract must be received by June 19. Bemporad noted that it is Finmeccanica policy seek USG approval before pursuing investments in Iran or other states of concern.

14. (SBU) Pirozzi said the contract Finmeccanica/Selex wants to bid on is for the provision of two terrestrial trunked radio (TETRA) systems for secure communications, and noted that Selex already provides similar technology to the Ministry of Interior in Tehran, oil companies, and civil authorities under contracts entered into prior to Finmeccanica's 2002 purchase of Selex. (Note. Prior to 2002, Selex was owned by BAE and was named Marconi. End note.) To the best of Finmeccanica's knowledge, the equipment involved has no defense-related purpose and is intended solely for police communications. In a subsequent e-mail, Pirozzi confirmed that Italian law does not require an export license for the export of TETRA radio systems and that "the TETRA system is not 'dual use' technology, nor included in the ammunition list. Therefore, the export is not subject to any license or restriction." During the meeting, Pirozzi noted other European companies are competing for this contract.

15. (SBU) Given the June 19 deadline, Bemporad said Finmeccanica is prepared to tender a bid on the contract, if the bid is non-binding and they can back out of a commitment, should the USG disapprove of the venture. If the Iranian tender requires a binding commitment, Finmeccanica is willing to drop out of the competition. Bemporad emphasized that

Finmeccanica recognizes the tremendous value of its business relationship with the USG and does not want to jeopardize it through activities in Iran. If the USG disapproves of Finmeccanica pursuing the TETRA radio contracts, Finmeccanica will not pursue it.

¶6. (SBU) Action requested: Embassy Rome requests guidance for Finmeccanica regarding the provision of "secure" TETRA radio systems to city police forces in Isfahan and Mashhad Iran, through a contract being tendered by the Iranian Ministry of the Interior. We request as speedy a reply as possible to provide Finmeccanica with a USG position in the spirit of cooperation with which they approached us on the matter. End action requested.

Current Finmeccanica Activities in Iran

¶7. (SBU) Bemporad and Pirozzi said Finmeccanica currently has two contracts in Iran. The first is to provide conventional energy turbines to an unnamed Iranian power company. This contract is worth approximately 300 million euros and is in its final stages. In the second contract, Finmeccanica subsidiary Fata Engineering provides engineering services related to the operation of an aluminum plant. This contract is also worth about 300 million euros. Both Bemporad and Pirozzi emphasized that Finmeccanica and its subsidiaries are not engaged in any contracts related to Iranian military activities.

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